

FINMECCANICA

Società per azioni

FINMECCANICA 1251 - 12/05/2006

Rome,
Rif. CODG/FRIN/JDS

To the attention of:
Mr. Dennis Johnson
Senior Portfolio Manager
California Public Employees'
Retirement System
Lincoln Plaza East
400 Q Street, Suite E4800
Sacramento, CA 95814

Dear Mr Johnson,

Thank you for your letter of 13 April 2006 which I am replying to on behalf of Mr. Francesco Guarguaglini, Chairman and Chief Executive Officer of Finmeccanica. We fully appreciate your concern regarding our business relations with Sudan and how this might impact an investor's decision to invest in Finmeccanica. I hope the information provided below will lay to rest any fears you may have concerning this matter.

First I would like to make it clear that Finmeccanica shares your view and concern about the activities being carried out by the Sudanese Government in the Country's Darfur Region.

The Italian Government has firmly convicted the genocide in Darfur and while it is operating to bring peace and prosperity to the region it has expressly forbidden under Law 185, in adherence to International Community resolutions, the export of defence related equipment.

In full respect of national law and international resolutions, neither Finmeccanica, the largest Italian Group in the defence sector, nor its subsidiaries, are conducting and neither do they intend to conduct any defence related activities in Sudan.

Finmeccanica has been involved in supplying civil aviation equipment necessary to facilitate humanitarian aid programmes to the country. For further clarity and transparency we would like to describe to you the only commercial activity conducted by a Finmeccanica subsidiary with Sudan over the last few years.

A contract between Alenia Marconi Systems UK (AMS) and the Sudanese Civil Aviation Authority (SCAA) was signed in 2001 for the supply of two Air Traffic Control (ATC) systems and subsequently two complete Radar heads (PSR and MSSR) were delivered to SCAA. These Primary Radars are civil equipment to be used in an Air Traffic Approach environment with low power and short range coverage. The IATA office in Nairobi subsequently advised SCAA to utilise Secondary Radars, ADS systems and Navigational Aids instead of Primary Radars according to ICAO recommendations for Civil Airports in Africa. The equipment supplied by AMS was therefore not installed and subsequently is not in operation.

However, given that partial payment had previously been received for the supply of the radars, Selex SI, a fully owned Finmeccanica subsidiary, has now agreed to supply 4 secondary radars as compensation for a value of Eur 4.15 million. The Primary Radars previously supplied to SCAA have been returned to Finmeccanica under the terms of this new agreement as buy-back compensation.

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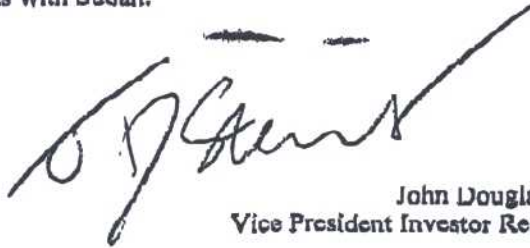
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As well known Secondary Radars can be used exclusively for Civil Air Traffic Control purposes and are not helpful for "Dual-Use". Indeed this kind of radar provides a high level of safety for all aircraft approaching and taking off from civilian airports thereby enabling humanitarian flights to be carried out successfully.

AMS, the 50-50 defence electronics joint venture with BAE Systems, was reorganised on 29 April 2005 with Finmeccanica and BAE Systems reacquiring outright their national assets. In addition Finmeccanica also acquired outright control of the air traffic systems division (ATMAS) which supplied the radar equipment to SCAA. The new defence electronics company, fully owned by Finmeccanica, was renamed SELEX Sistemi Integrati (SELEX SI).

We very much hope that the above information has clarified all the concerns you may have concerning our relations with Sudan.

Yours Faithfully,



John Douglas Stewart
Vice President Investor Relations Finmeccanica